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UNCLAS PORT AU PRINCE 001455

SIPDIS

DEPT FOR WHA/CAR  
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TREASURY FOR ALLEN RODRIGUEZ, GREGORY BERGER,  
WILLIAM BALDRIDGE, LARRY MCDONALD  
USDOC FOR 4322/ITA/MAN/WH/OLAC (SMITH, S.)

E.O. 12958: N/A

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SUBJECT: HAITI: PRIVATIZATION UPDATE

REF: A. (A) PORT AU PRINCE 0170

1B. (B) PORT AU PRINCE 0561

11. (U) This cable is Sensitive but Unclassified.

12. (SBU) SUMMARY: The Interim Government of Haiti,s (IGOH) goal of completing audits of five state-owned enterprises by the end of May, as a precursor to privatization, is behind schedule. An early July completion date is more realistic. The IGOH is currently considering a combination of outright sales, management contracts and long-term leases for the five entities. However, time is running out and we are not convinced that the IGOH has the technical capacity or political will to carry out privatizations prior to elections. Post recommends that privatization be a requirement under future agreements with the IFIs, including the IMF Poverty Reduction and Growth Facility (PRGF) to be negotiated with the new government. END SUMMARY.

#### Privatization of Haitian State-Owned Enterprises

13. (SBU) Econ Counselor spoke to an official from the Ministry of Finance to review IGOH progress toward privatizing the five state-owned enterprises previously identified by the IGOH has top priorities for privatization: the electricity company (EDH); the phone company (Teleco); the port at Port-au-Prince, the international airport; and the water and sewage company. (See refuels).

#### Audits are Behind Schedule

14. (SBU) According to the official, IGOH,s original goal was to have the audits of all five entities completed by the end of May, a requirement that was part of the IGOH agreement with the World Bank. However, the official admitted that the IGOH would miss this deadline; an early July completion date was more realistic. The official argued, though, that privatization --either an outright sale, long-term lease or a management contract-- for one or two of the five was still an accomplishable goal for the IGOH.

#### Different Means for Different Entities

15. (SBU) Strategically, the IGOH is now thinking of an outright sale of the phone company and a tender for a management contract for the electricity company. However, these two entities, although identified originally as the top priorities, were the furthest away from being privatized. The balance sheets of both companies are a disaster. A visiting IMF delegation told the Econ Counselor that the records and accounting at EDH was so bad the company was essentially "unauditable." The IGOH is currently considering a tender for a management contract of 3-5 years for the port and a long-term lease of 25 years for the international airport. A long-term lease for the airport was necessary because the Finance official estimated that USD 40 to 60 million in new investment was necessary to modernize the airport; any potential investor would need the time to get its money back from such an investment.

16. (SBU) COMMENT: Despite assurances that privatization is a still a priority for the government, as elections draw nearer we are increasingly skeptical that privatization, in whatever form, will happen under the watch of the IGOH. Time is running out and we are not convinced that the IGOH has the technical capacity nor political will to carry out even one privatization prior to turning over power to an elected government. We will continue to advocate strongly on behalf of privatization and/or private management. Post repeats its recommendation in refuels that privatization be a requirement under future agreements with the IFIs, including an IMF Poverty Reduction and Growth Facility (PRGF) to be negotiated with the new government. Indeed we believe that the only reason that the audits will eventually be completed is because it is a requirement of the World Bank program. END

COMMENT.  
FOLEY